

## ABSTRACT OF THE DISCLOSURE

Systems and methods are provided that allow a financial instrument to be structured so that the underlying borrowed principal is callable, puttable, or both. In a preferred embodiment, a Range Accrual Mortgage is structured so that the underlying borrowed principal is a mortgage that is callable, puttable, or both by embedding into the loan structure a rate put option. Systems and methods according to the invention lend symmetry to the interest rate behavior of certain borrowings by making explicit the pricing and market value of options that were previously only implicit in the borrowing structure. For example, a mortgage in accordance with the invention should provide incentives for either the homeowner or the bank to refinance the mortgage and should do so whether interest rates rise or fall, and no matter what path interest rates follow from the inception of the instrument until the maturity of the instrument. The invention achieves the desired advantages, in part, by extending the characteristics of a borrowing via the addition of a rate put option on an interest rate and, in part, by permitting correlative adjustments to the outstanding loan principal.